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America's security has always required strong congressional support, but the secretary says the need for that support this year is especially crucial in four carefully crafted spending allocations.

Volume 13 Number 13

New Defense Strategy: Shape, Respond, Prepare

Prepared statement of Secretary of Defense William S. Cohen to the Senate Armed Services Committee, Feb. 3, 1998.

It is a pleasure to be here to present the fiscal year 1999 Department of Defense budget request. This is the first budget to incorporate fully my guidance and decision-making as secretary of defense, and our plans reflect an intensive analysis of U.S. security needs carried out during my initial year in office.

Both FY 1999 DoD budget and the FY 1999-2003 Future Years Defense Program begin implementation of a new security vision for the post-Cold War era. Our vision can be characterized in one word: transformation. Having inherited the defense posture that won the Cold War and Desert Storm, the Clinton administration intends to leave as its legacy a defense strategy, military force and support structure that have been transformed to meet the different challenges of this new security era.

Our transformation began last May when the department completed its Quadrennial Defense Review (QDR) -- a comprehensive analysis of our nation's defense posture, strategy, policies and programs. The QDR examined the security threats, risks and opportunities facing the U.S. -- both today and out to the year 2015. It developed many far-reaching recommendations on force structure, readiness, modernization, infrastructure and more. It presented a new strategy that can ensure America's military superiority as well as implement vigorously the defense requirements of the president's National Security Strategy for a New Century, which stresses global engagement.

Then last November, I announced a sweeping reform of DoD support activities and business practices. My Defense Reform Initiative seeks to bring to the department many business practices that U.S. corporations have used to become leaner, more agile and highly successful. Money saved by this initiative will help fund weapons modernization.

Finally, in December the department received the report of the National Defense Panel. I was very pleased that most of the panel's recommendations were consistent with those reached in the Quadrennial Defense Review and Defense Reform Initiative. We strongly endorse the panel's central conclusion that the Defense Department must accelerate the transformation of U.S. military capabilities using savings generated by aggressive business reforms and additional base closures.

Highlighted below are the three components of the Defense Department's transformation vision: defense strategy, military forces and DoD support activities.

The new defense strategy has three elements. It says that the U.S. must:

- Shape the international security environment in ways favorable to U.S. interests. We seek to do this by promoting regional stability, preventing or reducing conflicts and threats, and deterring aggression and coercion. Especially crucial to achieving this are the overseas deployment and superior capabilities of U.S. forces, the strengthening and adapting of international alliances, and peacetime engagement with selected nations with the aim of them being friends, not adversaries, in the future. Beyond the defense realm, economic and diplomatic initiatives such as nonproliferation can help shape a favorable international environment. Also important are the

Cooperative Threat Reduction program and the Comprehensive Test Ban Treaty, which I urge the Senate to ratify.

- Respond to the full spectrum of crises. America's military must be capable of responding effectively to crises in order to protect our national interests, demonstrate U.S. resolve and reaffirm our role as a global leader. U.S. forces must be able to execute the full spectrum of military operations -- from deterring aggression and coercion, to conducting concurrent smaller-scale contingency operations, to fighting and winning major theater wars. Although America will retain the capabilities to protect its interests unilaterally, our nation will continue to recognize the advantages of acting in concert with like-minded nations when responding to crises.
- Prepare now for an uncertain future. Our major efforts to do this include:

-- Pursue a focused modernization effort to replace aging systems and incorporate cutting-edge technologies to ensure continued U.S. military superiority;

-- Continue to exploit the coming Revolution in Military Affairs;

-- Radically streamline and improve our Defense infrastructure and support activities; and

-- Hedge against the possible emergence of a major unanticipated threat through such priorities as carefully targeted research and development.##

This new defense strategy and the funding supporting it are especially attuned to countering what we term "asymmetric" threats. This term refers to the unconventional means that adversaries are increasingly likely to use to offset, rather than try to match America's military strengths. Asymmetric threats include threatened or actual use of nuclear, biological and chemical weapons; terrorism; and disruption of U.S. command, control, communications, computers and intelligence networks.

Besides developing this new defense strategy, the Quadrennial Defense Review revalidated that U.S. forces must be able to deal with more than one conflict at a time. We articulate this strategic requirement as follows: As a global power with worldwide interests, it is imperative that America, now and for the foreseeable future, be able to deter and defeat large-scale, cross-border aggression in two distant theaters in overlapping time frames -- preferably in concert with our regional allies.

The Department of Defense continues to be criticized for retaining this requirement that our forces be capable of fighting and winning two overlapping major theater wars. But we remain convinced that maintaining such a core capability is central to credible deterrence.

Our aim must be to avoid a situation in which an aggressor in one region might be tempted to take advantage when U.S. forces are heavily committed elsewhere. This core capability also will help ensure that we are able to deter or defeat a future adversary that is more potent, or under circumstances that are more difficult, than expected.

Finally, such a capability strongly supports our efforts to shape the international environment to reduce the chances that serious crises will occur in the first place.

The essence of our new defense strategy is balance. After substantial analysis the QDR recommended a strategy that strikes a balance between current dangers and opportunities and those we might face in the future. Our approach mandates sufficient forces and capabilities to meet today's requirement, while at the same time investing wisely and with vision for the future.

The second element of our department's QDR-based vision is to transform U.S. military forces. The goal is to maximize their effectiveness across the full spectrum of future crises and conflict scenarios. While we will transition to forces that are different in character, the hallmarks of America's military will continue to be top quality people, high readiness, and superior doctrine and technology.

Transforming U.S. forces requires implementation of Joint Vision 2010, our new conceptual framework for how U.S. forces will fight and achieve what we call "full spectrum dominance." At the heart of Joint

Vision 2010 is the ability to collect, process and disseminate a steady flow of information to U.S. forces, while denying the enemy the ability to gain and use battle-relevant information.

DoD's long-term campaign to exploit such advanced technology to ultimately bring about fundamental conceptual and organization improvements to U.S. forces is called the Revolution in Military Affairs. This revolution promises to enable our forces to attack enemy weaknesses directly and with great precision -- and therefore with fewer munitions, less logistics strain and less collateral damage.

It is important to note that U.S. forces are being transformed, not shrunk substantially. The Quadrennial Defense Review recommended end strength and force levels that are only slightly below those already planned as a result of the department's earlier post-Cold War adjustments. The QDR concluded that our nation must continue to possess the forces necessary to meet the demands of global engagement without placing unacceptable and counterproductive demands on our military people. The forces being reduced are ones that are least likely to be used in operations envisioned by the new QDR strategy.

The QDR called for reductions in previously planned aggregate end strength of about 60,000 active military personnel, 55,000 in selected Reserves, and 80,000 DoD civilians. These remain our targets. Our actual end strength at completion of the current programming period (2003) and beyond will ultimately be determined by scores of decisions over the next several years, based heavily on our experiences in transforming the U.S. defense posture and infrastructure. ...

The third element of our QDR-based vision went into high gear last November with my Defense Reform Initiative. Our goal is to substantially streamline and improve DoD infrastructure and support activities. The shorthand for our DRI blueprint is the Revolution in Business Affairs, and it is essential to the success of our planned Revolution in Military Affairs. Our plan adopts the best business practices responsible for success in America's private sector. Reforming DoD support activities is smart in and of itself, but it also is imperative in order to free up funds to help pay for high priorities like weapons modernization.

Our Defense Reform Initiative mandates four major areas for change:

- First, the plan calls for the department to re-engineer its processes and procedures. We need to adopt modern business practices to achieve world-class standards of performance. The goal is to redesign our DoD business practices so they work better and cost less. To meet our ambitious goals for personnel and dollar savings, it will not suffice simply to try to execute the same old business practices with fewer people, calling that reform. For example, we must make more of our processes paper-free, especially defense contracting. We must increase use of our purchase card for lower-cost items. We must discontinue the printing of voluminous regulations. We must expand the prime vendor process. We must use electronic catalogues and electronic shopping malls for some procurement. And we must replace "just in case" military logistics with "just in time" procedures.
- The second area of the DRI requires us to consolidate or streamline organizations to remove redundancy and maximize synergy. For example, under this new reform plan, personnel in the Office of the Secretary of Defense will be reduced 33 percent from FY 1996 authorized levels over the next 18 months. Personnel in defense agencies will be reduced by 21 percent over the next five years. Defense agencies and other DoD organizations will be expected to fundamentally transform how they do business, while simultaneously cutting personnel.
- In the third reform area, DoD must compete -- that is, to apply market incentives to improve quality, reduce costs and meet customer needs. Competition must be a powerful incentive for optimizing the performance and efficiency of DoD support activities. We need to analyze every activity for which the private sector alternative may be better or helpful in improving our operations. We also should do more to adopt existing commercial products, rather than trying to develop our own products -- which in the past ended up being too slow and too costly.
- The fourth reform area requires that the department eliminate excess support structures and focus on core competencies. As part of this, we very much need Congress to approve two more rounds of base closures for 2001 and 2005. The new budget includes \$830 million in FY 2002 and \$1.447 billion in FY 2003, with which DoD could begin implementation of a 2001 BRAC [base

realignment and closure] round. Projected long-term savings from two new BRAC rounds are at least \$3 billion per year. Between 1988 and 1995 four BRAC commissions proposed the closure or realignment of 152 major installations and 235 smaller ones. Complete implementation of those recommendations are projected to net \$13.6 billion in savings by FY 2001. After FY 2001, recurring savings from them will be about \$5.6 billion. However, more streamlining is required. Without additional BRAC authority, scarce defense dollars will continue to be spent on excess infrastructure, rather than on the vital needs of America's armed forces.

Achievement of all four of these types of reform is crucial not just to save money. Robust support of U.S. forces in combat has long been one of their great advantages, and that must be preserved. But such support has tended to rely primarily on its overwhelming mass.

To be most effective in the future, support operations must depend increasingly on speed and agility. Absent a concomitant revolution in DoD support activities, our Revolution in Military Affairs will risk outrunning the capabilities of our logistics, personnel, medical and other support systems.

To advance the transformation of our defense strategy, forces and support activities, President Clinton's FY 1999 budget requests \$257.3 billion in budget authority and \$252.6 billion in outlays for the Department of Defense. Funding levels in the president's budget are consistent with last year's budget agreement between the White House and congressional leaders. ...

Plans for FY 1999 through FY 2003 call for DoD budget authority to generally keep up with projected inflation. In real purchasing power, the FY 1999-2003 FYDP will buy more defense than previously planned because President Clinton allowed the department to keep about \$20 billion in savings projected from lower estimates of future inflation.

Our broad defense budget priorities remain the same. We must ensure the high readiness needed to carry out U.S. defense strategy, so that our forces are able to respond to crises whenever and wherever necessary.

We must continue to attract and retain the high quality personnel necessary to preserve U.S. military superiority. We must provide a good quality of life for our military personnel and their families -- focusing especially on compensation, housing and medical benefits.

Finally, we must transform our forces by developing and fielding new and upgraded weapons and supporting systems, which in turn must exploit advanced technologies, in order to guarantee the combat superiority of U.S. forces in the years ahead.

The continuing high readiness and quality of America's armed forces are evident everywhere that those forces are deployed or training. To preserve this high readiness, the FY 1999 budget provides strong support for training, exercises, maintenance, supplies and other essentials needed to keep U.S. forces prepared to achieve their combat missions decisively. Traditional operational indicators of readiness -- e.g., tank miles and flying hours -- are projected to remain stable.

In preparing their new budgets, the military services followed my direction that they fully fund their readiness-related accounts. When adjusted for today's lower troop strengths, FY 1999 O&M [operations and maintenance] funding is well above levels during the 1980s. Still, the intensity of military operations and other concerns are requiring the department to work hard to prevent major readiness problems from developing.

Providing a good quality of life for our uniformed personnel and their families remains essential to sustaining the quality and readiness of U.S. forces. Reflecting that reality, the FY 1999 budget includes strong funding for military pay, housing, medical services, child care and other important benefits for our personnel. The budget supports military pay raises up to the maximum percentage established by law. It funds a 3.1 percent pay increase for FY 1999 and a 3 percent rise for the outyears.

As he has publicly stated, President Clinton intends to support an extension of the U.S. mission in

Bosnia past June of this year in order to ensure continued compliance with the Dayton Accords. The size and structure of U.S. forces that will be committed to Bosnia is still undetermined, and thus a budget-quality cost estimate for the mission extension is not yet available. The president's intent is to provide a request for Bosnia funding before Congress completes deliberations on its FY 1999 Budget Resolution to ensure that Bosnia is considered as Congress sets its spending priorities.

FY 1998 appropriations fund previously planned Bosnia operations, which assumed that U.S. forces would be out of Bosnia by the end of June. However, DoD faces unbudgeted FY 1998 costs related to the proposed extension of Bosnia operations and to this year's increased intensity of operations in Southwest Asia. To cover these costs, the administration will propose an emergency, non-offset FY 1998 supplemental appropriations. Speedy passage of supplemental FY 1998 appropriations will be crucial to preventing readiness problems during the final few months of this fiscal year.

To cover FY 1999 Bosnia costs, the administration will submit a nonoffset budget amendment, which also will be designated as an emergency. The president's FY 1999 budget request contains an allowance for undistributed funds to cover contingencies, such as Bosnia and natural disasters. The President considers Bosnia funding to have first claim on this undistributed allowance and has informed the relevant committees in Congress of this.

In sum, the administration has structured its Bosnia-related funding requests so that resources are not diverted from DoD's current and future appropriations, which should avoid damage to military readiness.

One of the QDR's most important contributions was to detail a plan to ensure that the department could fulfill its ambitious and essential plans to modernize U.S. weapons. The QDR endorsed increased procurement funding both to prepare for future challenges and to upgrade aging systems. It also recommended changes to specific major modernization programs and proposed ways to reduce the future likelihood that the department would need to shift funds out of investment accounts to cover must-pay costs like unbudgeted operating expenses. ...

Among its major modernization initiatives, the new budget emphasizes the advanced information-technologies needed to fulfill Joint Vision 2010. It accelerates acquisition of new command, control, communications, computers, intelligence, surveillance and reconnaissance capabilities.

For example, funding was added to accelerate by two years the fielding of the Army's first digitized division and corps. Numerous such advances will enable military commanders to more effectively direct forces, transfer information between them and dominate future adversaries. Also funded are key surveillance assets such as unmanned aerial vehicles and critical navigation aids like the Global Positioning System.

Modernization of ground forces will stress upgrades of primary combat platforms like the Army's Abrams tank, Bradley fighting vehicle and Apache Longbow helicopter. Major development efforts include the Comanche helicopter and Crusader artillery system. Marine Corps modernization features the V-22 tilt-rotor aircraft, the Advanced Amphibious Assault Vehicle and the 4BN/4BW helicopter upgrade.

Modernization of naval forces includes procurement of the DDG-51 destroyer, LPD-17 amphibious transport dock ship and New Attack Submarine. The tenth and final Nimitz-class carrier (CVN-77) is fully funded in FY 2001, a cost-saving acceleration of one year. The budget also supports development of the next-generation aircraft carrier and the destroyer.

The QDR confirmed the need for, but made major adjustments to DoD's three major programs for modernizing U.S. tactical aircraft. New budget plans reflect DoD's decision to reduce and delay some planned procurement of the Joint Strike Fighter, F-22, and F/A-18E/F.

The JSF will continue in its concept demonstration phase into FY 2001, in preparation for procurement to commence in FY 2005. Funds for the first two production F-22s are requested for FY 1999, leading to a gradual buildup to procurement of 36 aircraft per year by FY 2004.

Production should soon increase for the F/A-18E/F, which has greater survivability and weapons payloads than earlier F/A-18 models. For the longer term the Navy plans to transition from F/A-18E/F to JSF procurement at a time based on the pace of JSF development.

The new budget supports the QDR's emphasis on munitions of superior precision. Substantial funding is provided for ATACMS/BAT [Army Tactical Missile System/Brilliant Anti-Armor], Longbow Hellfire [missile], SADARM [Sense and Destroy Armor artillery round] and Javelin for the Army; Sensor-Fuzed Weapon for the Air Force; and JSOW [Joint Standoff Weapon], JDAM [Joint Direct Attack Munition] and AMRAAM [Advanced Medium Range, Air-to-Air Missile] for both the Air Force and Navy. The Navy will continue to improve its inventory of Tomahawk missiles and convert anti-ship Harpoon missiles to SLAM-ER [Stand-Off Land Attack Missile-Expanded Response] land-attack missiles.

The QDR stressed America's ability to project military power to distant regions, and the new budget continues the department's airlift and sealift investments. Some 120 C-17 aircraft will be procured by FY 2003. All KC-135 tankers will receive major avionics upgrades. To improve sealift, FY 1999 procurement includes the last LMSR [large medium-speed roll on/roll off] transport vessel needed to move early-deploying Army divisions. ...

The QDR concluded that nuclear, biological and chemical weapons and the missiles that deliver them will continue to threaten the security of America and its forces, allies and friends. More specifically, U.S. plans must assume that the threat or use of chemical and biological weapons will be a likely condition of future warfare.

The FY 1999 budget includes major investments to stay ahead of these dangers. It adds about \$1 billion in spending through FY 2003 to bolster existing U.S. capabilities to counter chemical and biological threats. Much of the increase is for improved protective suits and masks, as well as better detection and decontamination systems. The remainder of it will enhance our capabilities to destroy or neutralize NBC weapons and materials.

The budget also continues DoD's strong missile defense programs, which remain critical to a broader strategy seeking to prevent, reduce, deter and defend against NBC and missile threats. In general, the department's missile defense efforts are proceeding at as fast a pace as technology risks will allow.

Our greatest emphasis is on theater missile defense -- aimed at meeting today's regional threats. The primary goal is to develop, procure and deploy systems that can protect forward-deployed U.S. forces. We seek a multitier, interoperable defense against ballistic and cruise missiles. To defeat shorter range missiles, our key lower-tier programs include the Patriot PAC-3 and Navy Area systems. For the longer term, MEADS [Medium Extended Air Defense System] is a highly mobile system being pursued cooperatively with Germany and Italy. Key upper-tier programs are the THAAD [Theater High Altitude Area Defense] and Navy Theater Wide systems. To defeat theater-range missiles during their boost phase, we are stressing our airborne laser development program.

Also a high DoD priority is the National Missile Defense program. The primary mission of our U.S. NMD system would be to defeat a limited strategic ballistic missile attack such as could be posed by a rogue nation.

The NMD program will develop and test system elements that could be deployed when such a strategic threat begins to emerge. Deployment before a threat emerges would preclude us from fielding the most advanced technology if and when a threat does emerge. As long as a threat does not emerge, the NMD program will continue to improve our planned system, while maintaining the capability to deploy it rapidly, if the need arises.

Supporting all our missile defense efforts is the technology base program. It seeks both to enhance the performance and decrease the cost of future BMD [ballistic missile defense] systems. It will enable us to reduce program risk, accelerate the insertion of new technology and advance cutting-edge technologies as a hedge against future surprises.

FY 1999 budget authority requested for missile defense programs is \$4.0 billion. For FY 2000 through FY 2003 an additional \$12.8 billion is planned. This \$16.8 billion total for missile defense programs in FY 1999-2003 includes funds added as a result of the QDR.

The QDR concluded that the reserve components will continue to be essential to the success of U.S. defense strategy and the full spectrum of our nation's military operations. The new budget reflects this conclusion with substantial funding to support both the current readiness as well as future capabilities of the reserve components.

The department has moved decisively to integrate more effectively its active and reserve components. During development of the FY 1999 budget, reserve component issues were given unprecedented attention. As a result of the review, over \$100 million was added for Army National Guard optempo [operations tempo], over \$200 million added for reserve component equipment funding and other important adjustments were made. Additionally, I have established new positions for reserve component general officers, with the aim of enhancing reserve component involvement in the DoD management structure.

The FY 1999 budget funds establishment of reserve component teams to respond to domestic use of weapons of mass destruction. Work also has begun on creating two Army combat divisions that would each integrate three Guard brigades under an active component headquarters. Meanwhile, reserve components will continue their extensive support of peacetime missions like aerial refueling, strategic lift, exercises, counterdrug operations and Bosnia peace implementation.

To best support DoD's warfighting plans, allocate scarce defense dollars and fulfill the Guard's peacetime mission, some combat elements of the reserve components will be converted over time into support units that are critically short. Projected savings from QDR-directed cuts to reserve components end strength will go toward increased funding for new equipment, unit conversions and other requirements of the reserve components.

America's security has always required strong congressional support, but this year the need is especially crucial. To transform America's defense posture for this new security era, we need approval of our carefully crafted spending allocations. I also urge your support for:

- Bosnia operations and emergency supplemental appropriations.
- Authorities needed to implement elements of my Defense Reform Initiative.
- Two additional rounds for base realignment and closure .
- Repeal of floors for military personnel end strength.

In closing, let me say how pleased I have been with the support of this committee during my first year as secretary of defense. I look forward to continued cooperation as together we work to reinforce America's military strength and global leadership.

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DEFENSE ISSUES

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